CMS | *HIPAA*
Electronic Transactions & Code Sets

HIPAA

A Challenge and Opportunity for the Health Care Industry

INFORMATION SERIES TOPICS

This paper is the seventh in a series of ten developed by the Centers for Medicare & Medicaid Services (CMS) to communicate to the health care community key concepts and requirements contained in HIPAA – the Health Insurance Portability and Accountability Act of 1996. The series focuses in particular on HIPAA's electronic transactions and codes sets requirements and what providers need to know to prepare for them. This paper highlights the HIPAA testing process and discusses third party certification.

> **IMPORTANT:** HIPAA covered entities should have begun testing their internal systems by April 16, 2003, in preparation for the electronic transactions and code sets October 16, 2003 deadline.

What is testing?

The testing process is a critical aspect of HIPAA implementation. It is where trading partners find errors, omissions, and conflicts in their systems -- and correct them before the actual standard transactions are used. Health plans, clearinghouses and vendors should be in the testing stage of HIPAA implementation for October 16, 2003 compliance. This includes actively testing with their providers.

Testing transactions for compliance with the HIPAA adopted electronic standards is the way covered entities demonstrate that they can:

> ➢ Receive HIPAA compliant standard transactions in their own systems in the correct HIPAA format.

> ➢ Send HIPAA compliant transactions to their health plans either directly or through clearinghouses.

> ➢ Help ensure payments and cash flow will not be interrupted after October 16, 2003.

> **TIP:** Ultimately, it is your responsibility to ensure that the electronic transactions you conduct (or have someone conduct on your behalf) comply with the HIPAA standards for those transactions.

What is my role in testing?

Your health plans, clearinghouses, and software vendors should take the lead for testing your electronic data interchange (EDI) systems for HIPAA compliance, however --

… providers play an important role.

STANDARD TRANSACTIONS

1. Claims or equivalent encounter information

2. Payment and remittance advice

3. Claim status inquiry and response

4. Eligibility inquiry and response

5. Referral certification and authorization inquiry and response

6. Enrollment and disenrollment in a health plan

7. Health plan premium payments

8. Coordination of benefits

Pending approval:
9. Claims attachments

10. First report of injury

Code Sets

1. Physician services/ other health services- **both HCPCS and CPT-4**

2. Medical supplies, orthotics, and DME- **HCPCS**

3. Diagnosis codes- **ICD-9-CM, Vols 1&2**

4. Inpatient hospital procedures– **ICD-9-CM, Vol 3**

5. Dental services– **Code on dental procedures and nomenclature**

6. Drugs/biologics– **NDC for retail pharmacy**

As a provider, you are the expert on your business operations and the types of electronic transactions you conduct most frequently. You also have the most to lose if your claims are rejected or payment is delayed because of problems with your trading partner systems. That is why it is imperative that you:

> Work with your business associates and trading partners throughout the testing process to ensure you test your systems thoroughly and accurately.

> Conduct testing for a variety of situations-- not just for the simple every day situations.

> Make sure your plans include testing for the data elements that are required in special situations.

Most health plans will expect providers, or those who submit transactions for them, to submit test claims. These test claims may or may not include personal health information (PHI), depending on the type of testing and testing environment. If PHI is used, providers must ensure that the privacy of the PHI is protected. This may require entering into agreements with testing partners about how the test files will be handled and how the partner will dispose of, or return the files, after the testing is completed. For more information on these types of agreements, see paper 8 in this series, "Trading partner agreements."

Methods of Testing

As discussed, all entities with a compliance date of October 16, 2003 <u>should have begun</u> testing their standard electronic transactions no later than April 16, 2003. There are three categories of HIPAA transactions testing with which providers should be familiar.

> **Internal Systems Testing:** Your information system or billing software will need to be tested to determine if the functions it supports produce correct results with the new HIPAA requirements. You will need to test all business processes and reports to validate that everything is functioning properly with the new transactions and code sets, prior to trading files with your health plans. Contact your software vendor to discuss your internal systems testing.

> **Levels of Testing:** There are a variety of ways to test a computer system's ability to create, send, or receive HIPAA compliant transactions. According to guidelines developed by WEDI SNIP, covered entities need to test their systems in seven different ways to assure compliance. These "levels" are explained on the next page.

> **TIP:** Testing is the only way to ensure HIPAA compliance with the electronic transactions and code sets standards.

> **TIP:** Those with whom you conduct electronic data interchange or "EDI" are referred to as your "trading partners."

LEVELS OF COMPLIANCE TESTING

1.INTEGRITY TESTING: Testing for valid EDI syntax for each type of transaction.

2. REQUIRMENT TESTING: Testing for HIPAA specific syntax. This tests that the transaction sets adhere to the HIPAA implementation guides.

3. BALANCING: Testing of the transaction for balanced field totals, financial balancing of claims or remittance advice and balancing of summary fields.

4. SITUATION TESTING: Testing of specific inter-segment situations as defined in the implementation guide, where if A occurs, then B must be populated.

5. CODE SET TESTING: Testing correct use of external code sets. Tests that only valid values of external data elements are used.

6. SPECIALTY OR LINE OF SERVICE TESTING: Specialized testing required for certain health care specialties.

7. TRADING PARTNER TESTING: Testing of trading partners' ability to transmit and receive HIPAA-compliant data.

Although not required by HIPAA, if each covered entity can successfully complete all of these levels of testing the likelihood of successful interaction among HIPAA trading partners should increase significantly. Contact your health plans, clearinghouses, and business associates and find out about their compliance testing plans.

> **TIP:** For a more detailed discussion about testing and certification visit the WEDI SNIP web site at: http://www.wedi.org/snip

> ➢ **Trading PartnerTesting**

The final step of your testing involves exchanging files with your trading partners after the internal system and compliance testing has been completed. The testing validates that data integrity is maintained throughout the exchange of electronic files with trading partners. The testing includes testing for volume of data, transmission schedules, connectivity, report generation and accessibility, as well as sign-on and security. Effective trading partner testing is a collaborative effort. Work with your trading partners to ensure you can send and receive HIPAA compliant transactions effective October 16, 2003.

On-going Testing

> **TIP:** Providers should view testing as an on-going part of their regular information system management process.

System testing is an important business practice and should not be considered a "one time event." In our evolving health care industry, it is expected that HIPAA electronic transactions and code sets requirements will evolve as well. Every time a trading partner's system changes, or a HIPAA requirement changes, providers will need to work with their trading partners and retest. Therefore, providers should view testing as an on-going part of their regular information system management process.

Certification

Another way to test transactions is through a third-party certification service. Certification of this type usually takes place after compliance testing and before exchanging files with your trading partners. HIPAA does not require certification however; the certification service offers a means of obtaining independent verification that transactions adhere to the standards. Certification services provide a processing environment that emulates the EDI requirements of some or all of the WEDI SNIP compliance testing levels described to the left.

Information & Tools Available at the CMS Web Site

http://www.cms.hhs.gov/hipaa/hipaa2

- Covered entity decision tool

- Provider readiness checklist

- HIPAA Informational papers

- CMS Outreach ListServe

- HIPAA roundtable audio conference dates

- HHS & other external HIPAA links

- Instructional CDs & videos

- HIPAA FAQs & compliance dates

- Complaint submission form

For HIPAA Privacy inquires

http://www.hhs.gov/ocr/hipaa/
or call the Privacy hotline at :
1-866-627-7748

Objective third-party certification of an organization's capability to submit and receive HIPAA compliant transactions has several benefits:

❑ Third party certification can greatly facilitate the two-way communication between providers and health plans that is necessary for HIPAA compliance.

❑ Being certified as HIPAA compliant, even if it is for only some of the transactions, demonstrates your "good faith" effort in complying with the law.

❑ Certification may eliminate the need for providers to have to test with each health plan / payer.

CMS does not endorse, or certify any certification entities. Each provider should consider third-party certification and make a business decision based on their unique situation.

Remember, HIPAA does not allow any covered entity to accept or issue non-compliant transactions after October 16, 2003. Trading partners that have not tested, or that have not been certified, may experience difficulty exchanging transactions effective October 16, 2003. If claims are not paid timely, your cash flow could be interrupted as well. Therefore, it is imperative that trading partners test adequately and make system changes as needed.

FOR MORE INFORMATION ABOUT HIPAA…

E-mail your questions to askhipaa@cms.hhs.gov or call the CMS HIPAA HOTLINE 1-866-282-0659

Log onto the CMS HIPAA web site: http://www.cms.hhs.gov/hipaa/hipaa2

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http://list.nih.gov/archives/hipaa-outreach-l.html Sign up to learn about the latest Administrative Simplification outreach materials and events.